

COLOMA PUBLIC LIBRARY
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name COLOMA PUBLIC LIBRARY	County BERRIEN
Fiscal Year End JUNE 30, 2006	Opinion Date NOVEMBER 10, 2006	Date Audit Report Submitted to State November 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C. CPA'S		Telephone Number 269 983-0534	
Street Address 830 PLEASANT STREET, P.O. BOX 44		City ST JOSEPH	State Zip MI 49085
Authorizing CPA Signature <i>Robert L. Gerbel CPA</i>		Printed Name ROBERT L. GERBEL	License Number 3874

**COLOMA PUBLIC LIBRARY
BERRIEN COUNTY, MICHIGAN**

FINANCIAL REPORT

June 30, 2006

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**COLOMA PUBLIC LIBRARY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006**

This annual report consists of three parts - management's discussion and analysis, the financial statements, and required supplementary information. The financial statements include information that presents two different views of the library:

- The first five columns of the financial statements include information on the Library's General Fund, Debt Service Fund, Construction Fund, Building and Site Fund and State Aid Fund under the modified accrual method. The modified accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds.
- The Adjustment column of the financial statements represents adjustments necessary to the government-wide financial statements under the full accrual method.
- The Government-wide Financial Statement columns provide both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a long-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Condensed Financial Information

The tables below contain key financial information in a condensed format:

Summary of Net Assets	2006	2005
Current Assets	\$ 606,499	\$ 532,429
Capital Assets	<u>3,458,332</u>	<u>3,573,797</u>
 Total Assets	 <u>\$ 4,064,831</u>	 <u>\$ 4,106,226</u>
 Current Liabilities	 \$ 142,969	 \$ 127,509
Long-term Liabilities	<u>2,600,000</u>	<u>2,725,076</u>
 Total Liabilities	 <u>\$ 2,742,969</u>	 <u>\$ 2,852,585</u>
 Net Assets:		
Invested in Capital Assets Net of Related Debt	\$ 743,332	\$ 753,797
Restricted for Debt Service	63,990	69,562
Restricted for Capital Additions	58,199	72,417
Unrestricted	<u>456,341</u>	<u>357,865</u>
 Total Net Assets	 <u>\$ 1,321,862</u>	 <u>\$ 1,253,641</u>

Results of Operations	2006	2005
Revenue:		
Property Taxes	\$ 373,727	\$ 365,071
Contributions	4,000	4,000
Penal Fees	134,993	129,646
Grants	9,994	10,069
Other Revenue	<u>22,807</u>	<u>47,049</u>
Total Revenue	\$ 545,521	\$ 555,835
Expenses-Library Services	(476,492)	(606,560)
Unrealized Loss on Investments	<u>(808)</u>	<u>(2,086)</u>
Change in Net Assets	<u>\$ 68,221</u>	<u>\$ (52,811)</u>

The Library as a Whole

- The Library's net assets increased by \$68,221 during the year.
- The Library's primary source of revenue is from property taxes, which represents 69 percent of the total revenue. The Library's secondary source of income is through county-wide penal fines, which represents 25 percent of the total.
- Salaries and fringe benefits are approximately 50 percent of the General Fund budget, which is on par with the state average of a Class 4 library.
- The remaining expenditures are for new equipment, utilities, and supplies.
- Depreciation expense for the current year represented 34 percent of the Library's total expenses.

The Library's Funds

Our analysis of the Library's major funds is included on pages 2 and 3 in the first four columns of the respective statements. The fund column provides detailed information about the most significant funds, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities, such as property tax millages. The Library's major funds consist of the General Fund, Debt Service Fund, and State Aid Fund.

Library's Budgetary Highlights

Salaries and benefits were lower than budgeted due to the fact that the library expected to hire an additional employee. This did not take place during the fiscal year and is anticipated to occur during the current fiscal year.

Utilities were also lower than budgeted due to the expectation of a significant increase in natural gas prices and usage. This did not happen. Utilities will continue to be budgeted conservatively in anticipation of this happening in the near future.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$3,458,332 (net of accumulated depreciation) invested in land, building, furniture and equipment, books, audiovisual and magazines.

At June 30, 2006 the balance on the Library's 2002 general obligation bond was \$2,715,000. During the year, the Library made principal and interest payments totaling \$215,535.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Librarian of the Coloma Public Library, P.O. Box 430, Coloma, MI 49038.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 10, 2006

INDEPENDENT AUDITOR'S REPORT

To the Library Board
Coloma Public Library
Coloma, Michigan

We have audited the accompanying financial statements of Coloma Public Library, including the Library's individual governmental funds, the Library as a whole and the budgetary comparison statements as of and for the year ended June 30, 2006, which collectively comprise the Library's financial statements as listed in the table of contents. These financial statements are the responsibility of Coloma Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of Coloma Public Library, including the Library's individual governmental funds, the Library as a whole, and the budgetary comparison statements as of and for the year ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through III and 11 and 12 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coloma Public Library's financial statements. The combining statements are presented for the purposes of additional analysis and are not a required part of the financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

COLOMA PUBLIC LIBRARY
Individual Funds Balance Sheet and
Statement of Net Assets
June 30, 2006

	<u>Individual Library Funds</u>		
	<u>General</u>	<u>Debt Service</u>	<u>State Aid</u>
Assets			
Cash and petty cash - NOTE 2	\$ 339,665	\$ 63,990	\$ 4,637
Investments - NOTE 2	-	-	-
Penal fees receivable	134,993	-	-
Due from other governments	-	-	5,015
Capital assets (net of accumulated depreciation) - Note 4	-	-	-
TOTAL ASSETS	<u>\$ 474,658</u>	<u>\$ 63,990</u>	<u>\$ 9,652</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 2,227	\$ -	\$ 1,254
Accrued interest payable	-	-	-
Compensated absences	-	-	-
Bond payable - NOTE 3			
Current portion	-	-	-
Long-term portion	-	-	-
Total Liabilities	<u>\$ 2,227</u>	<u>\$ -</u>	<u>\$ 1,254</u>
Fund Balance:			
Reserved:			
Debt service	\$ -	\$ 63,990	\$ -
Capital improvements	-	-	-
Unreserved:			
Undesignated	<u>472,431</u>	<u>-</u>	<u>8,398</u>
Total Fund Balance	<u>\$ 472,431</u>	<u>\$ 63,990</u>	<u>\$ 8,398</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 474,658</u>	<u>\$ 63,990</u>	<u>\$ 9,652</u>
Net Assets			
Invested in capital assets net of related debt			
Restricted for debt service			
Restricted for capital additions			
Unrestricted			
TOTAL NET ASSETS			

The accompanying notes are an integral part of these financial statements.

Other Non-Major Funds	Total - Modified Accrual Basis	GASB No. 34 Adjustments (Note 6)	Library as a Whole	
			Statement of Activities - Full - Accrual Basis	
\$ 51,150	\$ 459,442	\$ -	\$ 459,442	
7,049	7,049	-	7,049	
-	134,993	-	134,993	
-	5,015	-	5,015	
-	-	3,458,332	3,458,332	
<u>\$ 58,199</u>	<u>\$ 606,499</u>	<u>\$ 3,458,332</u>	<u>\$ 4,064,831</u>	
\$ -	\$ 3,481	\$ -	\$ 3,481	
-	-	18,423	18,423	
-	-	6,065	6,065	
-	-	115,000	115,000	
-	-	2,600,000	2,600,000	
<u>\$ -</u>	<u>\$ 3,481</u>	<u>\$ 2,739,488</u>	<u>\$ 2,742,969</u>	
\$ -	\$ 63,990	\$ (63,990)	\$ -	
58,199	58,199	(58,199)	-	
-	480,829	(480,829)	-	
<u>\$ 58,199</u>	<u>\$ 603,018</u>	<u>\$ (603,018)</u>	<u>\$ -</u>	
<u>\$ 58,199</u>	<u>\$ 606,499</u>			
		\$ 743,332	\$ 743,332	
		63,990	63,990	
		58,199	58,199	
		<u>456,341</u>	<u>456,341</u>	
		<u>\$ 1,321,862</u>	<u>\$ 1,321,862</u>	

COLOMA PUBLIC LIBRARY
Individual Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance and
Statement of Activities
For the Year Ended June 30, 2006

	<u>Individual Library Funds</u>		
	<u>General</u>	<u>Debt Service</u>	<u>State Aid</u>
Revenues:			
State grants	\$ -	\$ -	\$ 9,994
Property taxes	164,251	209,476	-
Contributions from local units	4,000	-	-
Fines	6,564	-	-
Penal fees	134,993	-	-
Contributions	2,448	-	-
Interest	5,963	737	8
Dividend income	-	-	-
Book sales	3,294	-	-
Rent	650	-	-
Miscellaneous	1,066	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 323,229	\$ 210,213	\$ 10,002
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Recreational and culture	\$ 188,725	\$ -	\$ 14,622
Debt service	-	215,785	-
Capital outlay	35,419	-	-
Depreciation	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 224,144	\$ 215,785	\$ 14,622
	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 99,085	\$ (5,572)	\$ (4,620)
	<u> </u>	<u> </u>	<u> </u>
Other Financing Sources (Uses):			
Unrealized gain (loss) on investments	\$ -	\$ -	\$ -
Operating transfer in (out)	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balances/Net Assets	\$ 99,085	\$ (5,572)	\$ (4,620)
	<u> </u>	<u> </u>	<u> </u>
Fund Balance/Net Assets - July 1, 2005	373,346	69,562	13,018
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE/NET ASSETS - JUNE 30, 2006	\$ 472,431	\$ 63,990	\$ 8,398
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

Other Non-Major Funds	Total - Modified Accrual Basis	GASB No. 34 Adjustments (Note 6)	Library as a Whole
			Statement of Activities - Full - Accrual Basis
\$ -	\$ 9,994	\$ -	\$ 9,994
-	373,727	-	373,727
-	4,000	-	4,000
-	6,564	-	6,564
-	134,993	-	134,993
1,401	3,849	-	3,849
426	7,134	-	7,134
250	250	-	250
-	3,294	-	3,294
-	650	-	650
-	1,066	-	1,066
<u>\$ 2,077</u>	<u>\$ 545,521</u>	<u>\$ -</u>	<u>\$ 545,521</u>
\$ -	\$ 203,347	\$ (4,011)	\$ 199,336
-	215,785	(105,000)	110,785
15,487	50,906	(48,895)	2,011
-	-	164,360	164,360
<u>\$ 15,487</u>	<u>\$ 470,038</u>	<u>\$ 6,454</u>	<u>\$ 476,492</u>
<u>\$ (13,410)</u>	<u>\$ 75,483</u>	<u>\$ (6,454)</u>	<u>\$ 69,029</u>
\$ (808)	\$ (808)	\$ -	\$ (808)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (808)</u>	<u>\$ (808)</u>	<u>\$ -</u>	<u>\$ (808)</u>
\$ (14,218)	\$ 74,675	\$ (6,454)	\$ 68,221
<u>72,417</u>	<u>528,343</u>	<u>725,298</u>	<u>1,253,641</u>
<u>\$ 58,199</u>	<u>\$ 603,018</u>	<u>\$ 718,844</u>	<u>\$ 1,321,862</u>

COLOMA PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Coloma Public Library (the "Library") conform to accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

In June 1999, the GASB issued Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Library has elected to implement the provisions of the Statement.

A. Reporting Entity:

The Library is governed by a six-member Board of Trustees. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

B. Financial Statements:

Government-wide Statements - The Library's financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds). The government-wide financial statements categorize primary activities as either governmental or business-type. All of the Library's activities are classified as governmental activities.

In the governmental-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Library first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.)

COLOMA PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Financial Statements - Continued:

Government-wide Statements - Continued:

In creating the government-wide financial statements, the Library has eliminated interfund transactions.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net assets resulting from the current year's activities.

Fund Statements - The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Library reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for acquisition of capital facilities and improvements.

C. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

ACCRUAL

Governmental activities in the government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

MODIFIED ACCRUAL

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when incurred.

Revenues are generally considered available when they are received in cash (unless legally restricted for some future period), or when expected to be collected soon enough after year-end to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

COLOMA PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Budget and Budgetary Accounting:

An operating budget is developed at the beginning of each fiscal year by the Librarian. The operating budget is then submitted to the Library Board for review. The budget was formally adopted at the Library's annual meeting, with a public hearing being held prior to the meeting. The budget was prepared on a basis consistent with accounting principles generally accepted in the United States of America.

E. Cash and Cash Equivalents:

The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Capital Assets:

Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	40 years
Library books	10 years
Furniture and equipment	5-10 years

G. Property Tax Revenue:

Property taxes attach as an enforceable lien on property as of December 31, and are levied on the following December 1. Property taxes become available for expenditure and are thus recognized as revenue in the fiscal year they are levied.

H. Risk Management:

The Library carries commercial insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

I. Fund Balance Reserves:

A fund balance reserve arises from statutory requirements or actions already taken by the Library. The reserved portion of the fund balance identifies those amounts segregated for future purposes or not available to finance expenditures in the subsequent fiscal year.

J. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COLOMA PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Compensated Absences (Vacation And Sick Leave):

The Head Librarian may accumulate no more than 240 hours of vacation and no more than 320 hours of sick leave. The Assistant Librarian may accumulate no more than 160 hours of vacation and no more than 160 hours of sick leave. The Library Assistant may accumulate no more than 160 hours of vacation and no more than 48 hours of sick leave. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year-end.

NOTE 2 - CASH AND INVESTMENTS

Cash and Short-term Investments - Investment policies for cash and short-term investments as set forth by the Board of Trustees authorize the Library to invest in certificates of deposit, savings accounts, deposit accounts, or other interest earning deposit accounts of banks which are members of the Federal Deposit Insurance Corporation (FDIC).

Investments - The Library's investment policy does not address investments other than short-term highly liquid instruments.

Interest Rate Risk - The Library minimizes interest rate risk by avoiding the need to cash in investments prior to maturity. Certificates of deposit are not normally cashed prior to maturity except to improve the quality, yield, to target duration in the portfolio, or to meet liquidity needs.

As of June 30, 2006, the Library had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>More Than Three Years</u>
Corporate Stocks	\$ 6,134	\$ -	\$ 6,134	\$ -
Total Investments	<u>\$ 6,134</u>	<u>\$ -</u>	<u>\$ 6,134</u>	<u>\$ -</u>

Credit Risk - Act -217, PA 1982 authorizes the Library to deposit and invest in the accounts of federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Library's deposits are in accordance with statutory authority. The Library's funds were deposited in two financial institutions that meet these requirements. At year-end the carrying amount of the Library's deposits was \$459,292 and the respective bank balance totaled \$481,369. Of the total bank balance, the Federal Deposit Insurance Corporation (FDIC) covered \$200,000.

Concentration of Credit Risk - The Library's policy states that investments shall have varying maturities and avoid high credit risk and should include the use of readily available funds.

Custodial Credit Risk - The Treasurer recommends financial institutions based on an evaluation of performance and solvency of the institution, as well as past performance and solvency of the institution. As of June 30, 2006, the Library's funds were deposited in two institutions that meet this criteria.

COLOMA PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 3 - LONG-TERM DEBT

The following is a summary of debt transactions of the Library for the year ended June 30, 2006:

	<u>Bonds</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance - July 1, 2005	\$ 2,820,000	\$ 10,076	\$ 2,830,076
Subtractions:			
Decrease in compensated absences	-	(4,011)	(4,011)
Retirements and payments	<u>(105,000)</u>	<u>-</u>	<u>(105,000)</u>
Balance - June 30, 2006	\$ 2,715,000	\$ 6,065	\$ 2,721,065
Less current portion	<u>(115,000)</u>	<u>(6,065)</u>	<u>(121,065)</u>
Total due after one year	<u>\$ 2,600,000</u>	<u>\$ -</u>	<u>\$ 2,600,000</u>

Bonds payable at June 30, 2006 consist of the following:

2002 Debt Issue due in annual installments of \$115,000 to \$230,000 through May 1, 2022; interest rate varies from 3.00% to 4.65%.

Total Bonds	<u>\$ 2,715,000</u>
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The annual requirements to amortize all applicable debt outstanding (excluding compensated absences) as of June 30, 2006, including interest payments of \$1,078,785 are as follows:

<u>Year Ending June 30,</u>	<u>Debt</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 115,000	\$ 107,386	\$ 222,386
2008	125,000	103,935	228,935
2009	130,000	100,186	230,186
2010	135,000	96,026	231,026
2011	140,000	91,502	231,502
2012-2016	815,000	375,118	1,190,118
2017-2021	1,025,000	193,936	1,218,936
2022	<u>230,000</u>	<u>10,696</u>	<u>240,696</u>
Total	<u>\$ 2,715,000</u>	<u>\$ 1,078,785</u>	<u>\$ 3,793,785</u>

COLOMA PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 3 - LONG-TERM DEBT - Continued

Compensated absences at June 30, 2006 consist of the following:

Accumulated unused vacation days which are payable upon termination of employment	\$ 3,121
Accumulated unused sick days which are payable upon termination of employment	<u>2,944</u>
Total Compensated Absences	<u>\$ 6,065</u>

The compensated absences liability will be liquidated by the General Fund.

NOTE 4 - CAPITAL ASSETS

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2006</u>
Assets not being depreciated				
Land	\$ 54,500	\$ -	\$ -	\$ 54,500
Other Capital Assets				
Building and additions	3,012,143	-	-	3,012,143
Land improvements	-	14,939	-	14,939
Books	1,498,669	29,896	-	1,528,565
Furniture and equipment	<u>463,293</u>	<u>4,060</u>	<u>-</u>	<u>467,353</u>
Total Capital Assets	<u>\$ 5,028,605</u>	<u>\$ 48,895</u>	<u>\$ -</u>	<u>\$ 5,077,500</u>
Accumulated Depreciation				
Building and additions	\$ (86,443)	\$ (75,304)	\$ -	\$ (161,747)
Land improvements	-	(607)	-	(607)
Books	(1,278,674)	(41,003)	-	(1,319,677)
Furniture and equipment	<u>(89,691)</u>	<u>(47,446)</u>	<u>-</u>	<u>(137,137)</u>
Total Accumulated Depreciation	<u>\$ (1,454,808)</u>	<u>\$ (164,360)</u>	<u>\$ -</u>	<u>\$ (1,619,168)</u>
Net Capital Assets	<u>\$ 3,573,797</u>	<u>\$ (115,465)</u>	<u>\$ -</u>	<u>\$ 3,458,332</u>

NOTE 5 - CONTINGENT LIABILITIES

State Grants

In the normal course of operation, the Library receives grant funds from various State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

COLOMA PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 6 - RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE INDIVIDUAL FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a whole reported in the Statement of Net Assets and Statement of Activities. This difference results primarily from the long-term economic focus of the Statement of the Individual Governmental Fund's Balance Sheets and Statements of Revenue, Expenditures, and Changes in Fund Balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance-Modified Accrual Basis	\$ 603,018
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Amounts reported in the Statement of Net Assets are different because:

Capital assets are not financial resources and are not reported in the funds.	3,458,332
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Bonds payable is included as a liability :

Current portion	\$ (115,000)	
Long-term portion	<u>(2,600,000)</u>	(2,715,000)

Accrued interest on bonds is included as a liability.	(18,423)
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Compensated absences are included as a liability.	<u>(6,065)</u>
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Total Net Assets-Full Accrual Basis	<u>\$ 1,321,862</u>
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Net Change in Fund Balances-Modified Accrual Basis	\$ 74,675
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Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities; these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	48,895	
Depreciation	(164,360)	

Repayment of bond principal is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt).	105,000
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Decrease in the accrual for long-term compensated absences is reported as an expenditure in the Statement of Activities but not in the fund financial statements.	<u>4,011</u>
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Change in Net Assets-Full Accrual Basis	<u>\$ 68,221</u>
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**COLOMA PUBLIC LIBRARY
GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>			Variance Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 160,000	\$ 160,000	\$ 164,251	\$ 4,251
Contributions from local units	4,000	4,000	4,000	-
Fines	5,000	5,000	6,564	1,564
Penal fees	130,787	130,787	134,993	4,206
Contributions	400	400	2,448	2,048
Interest	300	300	5,963	5,663
Books	1,000	1,000	3,294	2,294
Rent	500	500	650	150
Miscellaneous	1,500	1,500	1,066	(434)
Total Revenues	\$ 303,487	\$ 303,487	\$ 323,229	\$ 19,742
Expenditures:				
Recreation and Cultural:				
Salaries and payroll	\$ 134,800	\$ 134,800	\$ 111,491	\$ 23,309
Repairs and maintenance - equipment	3,000	3,000	783	2,217
Repairs and maintenance - building	15,000	15,000	14,372	628
Utilities	40,000	40,000	26,442	13,558
Insurance	26,200	26,200	18,750	7,450
Audit	3,750	3,750	3,750	-
Legal	500	500	438	62
Supplies	11,000	11,000	8,603	2,397
Bookkeeping	800	800	400	400
Miscellaneous	5,000	5,000	3,696	1,304
Capital outlay:				
Books	34,437	34,437	29,896	4,541
Equipment	8,500	8,500	-	8,500
Technology	10,000	10,000	5,523	4,477
Total Expenditures	\$ 292,987	\$ 292,987	\$ 224,144	\$ 68,843
Change in Fund Balance	\$ 10,500	\$ 10,500	\$ 99,085	\$ 88,585
Fund Balance - July 1, 2005	373,346	373,346	373,346	-
FUND BALANCE - JUNE 30, 2006	\$ 383,846	\$ 383,846	\$ 472,431	\$ 88,585

**COLOMA PUBLIC LIBRARY
STATE AID FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>			Variance Final Budget Positive (Negative)
Revenues:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
State grants	\$ 11,000	\$ 11,000	\$ 9,994	\$ (1,006)
Interest	10	10	8	(2)
Total Revenues	<u>\$ 11,010</u>	<u>\$ 11,010</u>	<u>\$ 10,002</u>	<u>\$ (1,008)</u>
Expenditures:				
Recreation and Cultural:				
Cooperative fee	\$ 4,630	\$ 4,630	\$ 4,055	\$ 575
Periodicals	3,500	3,500	2,709	791
Travel, workshops, and memberships	1,500	1,500	1,294	206
Audio visual	5,000	5,000	4,363	637
Contract services	570	570	570	-
Miscellaneous	<u>1,800</u>	<u>1,800</u>	<u>1,631</u>	<u>169</u>
Total Expenditures	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 14,622</u>	<u>\$ 2,378</u>
Change in Fund Balance	<u>\$ (5,990)</u>	<u>\$ (5,990)</u>	<u>\$ (4,620)</u>	<u>\$ 1,370</u>
Fund Balance - July 1, 2005	<u>13,018</u>	<u>13,018</u>	<u>13,018</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2006	<u>\$ 7,028</u>	<u>\$ 7,028</u>	<u>\$ 8,398</u>	<u>\$ 1,370</u>

**COLOMA PUBLIC LIBRARY
NON-MAJOR FUNDS
Combining Balance Sheet
June 30, 2006**

	Construction Fund	Building and Site Fund	Total
Assets			
Cash	\$ -	\$ 51,150	\$ 51,150
Investments	<u>-</u>	<u>7,049</u>	<u>7,049</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 58,199</u>	<u>\$ 58,199</u>
Liabilities and Fund Balance			
Total Liabilities	\$ -	\$ -	\$ -
Fund Balance	<u>-</u>	<u>58,199</u>	<u>58,199</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 58,199</u>	<u>\$ 58,199</u>

**COLOMA PUBLIC LIBRARY
NON-MAJOR FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2006**

	Construction Fund	Building and Site Fund	Total
Revenues:			
Contributions	\$ -	\$ 1,401	\$ 1,401
Interest	269	157	426
Dividend income	<u>-</u>	<u>250</u>	<u>250</u>
Total Revenues	<u>\$ 269</u>	<u>\$ 1,808</u>	<u>\$ 2,077</u>
Expenditures:			
Collection enhancement	\$ -	\$ -	\$ -
Miscellaneous	36	1	37
Capital outlay:			
Land improvements	-	14,939	14,939
Equipment	<u>-</u>	<u>511</u>	<u>511</u>
Total Expenditures	<u>\$ 36</u>	<u>\$ 15,451</u>	<u>\$ 15,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 233</u>	<u>\$ (13,643)</u>	<u>\$ (13,410)</u>
Other Financing Sources (Uses):			
Unrealized loss on investments	\$ -	\$ (808)	\$ (808)
Operating transfer in (out)	<u>(51,875)</u>	<u>51,875</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (51,875)</u>	<u>\$ 51,067</u>	<u>\$ (808)</u>
Change in Fund Balances	\$ (51,642)	\$ 37,424	\$ (14,218)
Fund Balances, July 1, 2005	<u>51,642</u>	<u>20,775</u>	<u>72,417</u>
FUND BALANCES, JUNE 30, 2006	<u>\$ -</u>	<u>\$ 58,199</u>	<u>\$ 58,199</u>

COLOMA PUBLIC LIBRARY
Detail of Bonded Debt - 2002 Building and Improvement Bonds
For the Year Ended June 30, 2006

<u>Due May 1</u>	<u>Interest Rate</u>	<u>Maturing Per Year</u>	<u>Bonds Outstanding July 1, 2005</u>	<u>Bonds Retired This Year</u>	<u>Bonds Outstanding June 30, 2006</u>
2006	3.00%	\$ 105,000	\$ 105,000	\$ 105,000	\$ -
2007	3.00%	115,000	115,000	-	115,000
2008	3.00%	125,000	125,000	-	125,000
2009	3.20%	130,000	130,000	-	130,000
2010	3.35%	135,000	135,000	-	135,000
2011	3.45%	140,000	140,000	-	140,000
2012	3.55%	150,000	150,000	-	150,000
2013	3.75%	155,000	155,000	-	155,000
2014	3.85%	165,000	165,000	-	165,000
2015	4.00%	170,000	170,000	-	170,000
2016	4.00%	175,000	175,000	-	175,000
2017	4.15%	185,000	185,000	-	185,000
2018	4.25%	195,000	195,000	-	195,000
2019	4.35%	205,000	205,000	-	205,000
2020	4.45%	215,000	215,000	-	215,000
2021	4.55%	225,000	225,000	-	225,000
2022	4.65%	<u>230,000</u>	<u>230,000</u>	<u>-</u>	<u>230,000</u>
TOTAL BUILDING AND IMPROVEMENT BONDS		<u>\$ 2,820,000</u>	<u>\$ 2,820,000</u>	<u>\$ 105,000</u>	<u>\$ 2,715,000</u>

Purpose of bond issue:

To finance a portion of the costs of constructing a new approximately 18,324 square foot library facility including site development, furnishings, technology, and equipment to be located within the City of Coloma.

Terms:

Principal due annually May 1. Interest due semi-annually May 1 and November 1.

COLOMA PUBLIC LIBRARY
Summary of Principal and Interest Requirements to Maturity
2002 Building and Improvement Bonds
June 30, 2006

Year Ended <u>June 30</u>	Principal <u>Due May 1</u>	Interest Due		<u>Total</u>
		<u>May 1</u>	<u>November 1</u>	
2007	\$ 115,000	\$ 53,693	\$ 53,693	\$ 222,386
2008	125,000	51,967	51,968	228,935
2009	130,000	50,093	50,093	230,186
2010	135,000	48,013	48,013	231,026
2011	140,000	45,751	45,751	231,502
2012	150,000	43,336	43,336	236,672
2013	155,000	40,673	40,673	236,346
2014	165,000	37,768	37,768	240,536
2015	170,000	34,591	34,591	239,182
2016	175,000	31,191	31,191	237,382
2017	185,000	27,691	27,691	240,382
2018	195,000	23,853	23,853	242,706
2019	205,000	19,708	19,708	244,416
2020	215,000	15,250	15,250	245,500
2021	225,000	10,466	10,466	245,932
2022	230,000	5,348	5,348	240,696
TOTAL	<u>\$ 2,715,000</u>	<u>\$ 539,392</u>	<u>\$ 539,393</u>	<u>\$ 3,793,785</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 10, 2006

To the Library Board
Coloma Public Library
Coloma, Michigan

In connection with our examination of the books and records of the Coloma Public Library for the year ended June 30, 2006, we offer the following recommendations.

GENERAL FUND

1. The disbursement replenishing petty cash should be allocated to specific expense accounts (e.g. supplies, postage) rather than an expense account titled petty cash.
2. The dividend income and change in fair market value of the Edward Jones account should be accounted for in separate accounts. We have made an adjustment reclassifying it out of the Donations Account and into Dividend Income and Unrealized Gain/Loss Accounts. (Repeated comment)

We appreciate the courtesy and cooperation extended to us by the officials and employees of the Coloma Public Library and trust that these suggestions will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance in implementing these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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